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OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

John A. Black,

Resident Licensee.

No. D 06 - 120

ORDER REVOKING LICENSE

Hearings Unit, DIC
Patricia D. Petersen
Chief Hearing Officer

To: John A. Black
1203 15 Wenatchee Hgts. Road
Wenatchee, Washington 98801

IT IS ORDERED AND YOU ARE HEREBY NOTIFIED that your license is REVOKED, effective March 19, 2006, pursuant to RCW 48.17.530(1)(b), (e), (f), (h); and 48.17.540(2).

THIS ORDER IS BASED ON THE FOLLOWING:

1. John A. Black has been licensed to sell life and disability insurance in Washington since December 14, 1989.
2. Ethel Harmon, (Harmon) is a woman born on July 25, 1947. She works as a seasonal fruit packer. On June 28, 2002, her husband passed away. When Harmon discovered that her deceased husband had a New York Life insurance policy, she arranged to see Mr. Black, an agent for New York Life, for assistance. At her husband's death, Harmon received approximately \$196,000 in death benefits. Harmon was inexperienced with insurance and investments, and relied on Mr. Black for advice.
3. On or about July 30, 2002, upon the advice of Mr. Black, Harmon applied for a single premium deferred variable annuity and a whole life insurance policy. On or about October 17, 2002, Harmon purchased another single premium deferred variable annuity at the suggestion of Mr. Black. On or about November 25, 2002, Harmon bought yet a third deferred variable annuity at the urging of Mr. Black.
4. On or about August 8, 2004, Harmon made a written complaint to New York Life Insurance alleging that Mr. Black had taken advantage of her as a grieving widow to sell her insurance products she neither wanted, needed, nor understood. In addition, she alleged that Mr. Black failed to tell her that she would have to pay 10% in taxes each month when a withdrawal was made pursuant to a distribution plan from the annuity to pay living expenses. She states that she would not have agreed to invest in an annuity had she been so informed. She also claims that she insisted to Mr. Black that she wanted to pay off her mortgage, but he convinced her not to do so.

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5. June Nichols, (Nichols) is a woman born on June 13, 1935. In December, 2004, Nichols sought out Mr. Black for Medicaid planning advice. Her husband had recently been moved to a nursing home and was having trouble adjusting. Nichols reported being very vulnerable and stressed during this period of time. Nichols' step-daughter was a friend of Mr. Black, went to the same church, and thought him to be an honest person. She mentioned to him that her father would probably be happy to know that his ranch would eventually be used for a boys' camp, as her father gave charitable contributions to another boys' camp for years. She mentioned that making the ranch into a boys' camp would also be a good way for Nichols to remain on the ranch without having to take care of it herself.

6. On or about December 29, 2004, at the suggestion of Mr. Black, Nichols purchased a single premium immediate annuity from Standard Life Insurance Company of Indiana, using funds from a Symetra Life annuity. Mr. Black assured Nichols that the Standard Life annuity would result in about \$400 per month more than the Symetra annuity. The transfer resulted in a surrender penalty of \$4092.60. The Standard Life contract resulted in a periodic payment amount of \$1225.78. Mr. Black earned a commission on the transfer of approximately \$2000.

7. The application for the transfer was dated December 8, 2004. Standard Life's notice of replacement of life insurance or annuities was dated December 16, 2004. The notice to Nichols failed to include the producer's conclusion that the transfer would materially improve the annuitant's position, nor did it ask the questions and provide explanations upon which the producer based the recommendation for transfer. Mr. Black did not give a copy of the replacement notice to Nichols.

8. Had Mr. Black recommended annuitizing the Symetra contract, Nichols could have avoided the surrender penalty. And, had Mr. Black recommended converting the Symetra annuity to a 16 year certain immediate annuity, the monthly payments to Nichols beginning January 2005 would have been \$1,567.79. Mr. Black received approximately \$2,000 commissions as a result of his recommendation to replace the policy.

9. During the same December 2004 timeframe, Mr. Black approached Nichols on numerous occasions requesting that he purchase her ranch in order to facilitate her husband's receipt of Medicaid coverage. Mr. Black indicated that he wanted to use the land for the boys' camp envisioned by the family. Mr. Black made numerous phone calls to Nichols regarding this proposed deal, and asked Nichols to sign various documents without giving copies to her. After pressuring Nichols, she finally agreed to "option" her ranch to Mr. Black for \$20,000, with a full purchase price of \$220,000. When Nichols told Mr. Black that she wanted her attorney to review the contract prior to

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signing it, he discouraged it, pressuring Nichols to complete the transaction. Despite having signed the agreement on February 2, 2005, Nichols did not receive a copy of the agreement until February 21, 2005. On February 22, 2005, Nichols asked that the option contract be rescinded.

10. On or about February 11, 2005, Mr. Black convinced Nichols to apply for a \$200,000 universal life policy with Lincoln Benefit Life with a planned annual premium of \$3,565. The listed owner and sole beneficiary of the policy was Nichols' step-daughter. Mr. Black informed the step-daughter that upon the death of Nichols, the proceeds should be divided between themselves, Mr. Black using his \$100,000 toward the boys' camp. Lincoln Benefit Life declined to issue the policy because their underwriting standards do not condone third-party ownership of policies. Nichols experienced depression and anxiety as a result of her course of dealings with Mr. Black.

11. Edith Quast, (Quast) is a woman born on March 14, 1929. Quast had no experience with insurance or investing, and depended exclusively on Mr. Black for advice. Between November 2001 and February 2002, Mr. Black sold 17 insurance products to Quast. Three contracts were for single premium deferred annuities totaling \$231,293.70. Two whole life policies with a total face value of \$407,000 were also purchased on the life of Quast. A single premium Variable Universal Life policy was also issued to Quast. The remaining eleven contracts were issued on the lives of Quast's son and five grandchildren. Of the eleven, five are whole life contracts of a face value of \$100,000 each for each grandchild, and the other six are Variable Universal Life contracts in a face amount of \$100,000 each, for Quast's son and grandchildren.

12. Quast agreed to pay the premiums for these policies from her savings and other assets. However, Quast discovered later on that Mr. Black had arranged for the premiums to be paid from the two single premium annuities. A total of \$26,819.51 was withdrawn from the two annuities. Quast paid \$4,022.93 in income taxes as a result of these withdrawals. Mr. Black failed to present a notice of replacement to Quast each time funds were withdrawn from an annuity, nor was a copy left with her.

The licensee violated the following regulations and provisions of the insurance code:

a.) By engaging in unfair or deceptive acts or practices in the conduct of business, the licensee violated RCW 48.30.010.

b.) By making, publishing, and disseminating false, deceptive and misleading representations in the conduct of the business of insurance, the licensee violated

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RCW 48.30.040.

c.) By making, issuing and circulating misrepresentations of the terms of insurance policies, the licensee violated RCW 48.30.090.

d.) By making misleading comparisons to a consumer to induce replacement of an annuity, the licensee violated RCW 48.30.180.

e.) By failing to insure that, at the time of replacement, a notice of replacement was given to an applicant when a replacement transaction is involved, and that the notice conforms to regulatory requirements, the licensee violated WAC 284-23-440(2)(a).

f.) By failing to give Nichols proper information about annuitizing the Symetra contract, Nichols suffered a surrender penalty of approximately \$4,093. The licensee has shown himself to be untrustworthy or incompetent or a source of injury and loss to the public and not qualified for a license, within the meaning of RCW 48.17.070. It is also grounds for revocation under RCW 48.17.530(1) (h).

By reason of his conduct, and his violations of the Insurance Code, John A. Black has shown himself to be, and is so deemed by the commissioner, untrustworthy and a source of injury and loss to the public and not qualified to be an insurance agent in the State of Washington. Accordingly, John A. Black's license is revoked pursuant to RCW 48.17.530 and RCW 48.17.540(2).

IT IS FURTHER ORDERED that John A. Black return his insurance agent's license certificate to the Commissioner on or before the effective date of the revocation of that license, as required by RCW 48.17.530(4).

NOTICE CONCERNING YOUR RIGHT TO A HEARING. Please note that a detailed summary of your right to contest this Order is attached. Briefly, if you are aggrieved by this Order, RCW 48.04.010 permits you to demand a hearing. Pursuant to that statute and others: You must demand a hearing, in writing, within 90 days after the date of this Order, which is the day it was mailed to you, or you will waive your right to a hearing. Your demand for a hearing must specify briefly the reasons why you think this Order should be changed. If your demand for a hearing is received by the Commissioner before the effective date of the revocation, then the revocation will be stayed (postponed) pending the hearing, pursuant to RCW 48.04.020. Upon receipt of your demand for hearing, you will be contacted by an assistant of the Chief Hearing Officer to schedule a teleconference with you and the Insurance Commissioner's Office to discuss the hearing and the procedures to be followed.

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Please send any demand for hearing to Insurance Commissioner, attention John Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257.

ENTERED AT TUMWATER, WASHINGTON, this 27th day of February, 2006.

MIKE KREIDLER
Insurance Commissioner

By

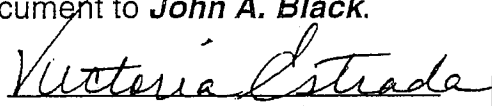
JOHN F. HAMJE
Deputy Insurance Commissioner
Consumer Protection Division

Investigator: Tom Talarico

DECLARATION OF MAILING

I certify under penalty of perjury under the laws of the State of Washington that on the date listed below, I mailed or caused delivery of a true copy of this document to **John A. Black**.

Dated: February 27, 2006
At Tumwater, Washington


Victoria Estrada

NOTICE OF YOUR RIGHT TO A HEARING

You have the right to demand a hearing to contest this Order. During this hearing, you can present your argument that the Order should not have been entered for legal and/or factual reasons and/or to explain the circumstances surrounding the activities which are the subject of this Order. You may be represented by an attorney if you wish, although in some hearings before this agency parties do choose to represent themselves without an attorney.

Your Demand for Hearing should be sent to John F. Hamje, Deputy Insurance Commissioner, Office of the Insurance Commissioner, P.O. Box 40257, Olympia, WA 98504-0257, and must briefly state how you are harmed by this Order and why you disagree with it. You will then be notified both by telephone and in writing of the time and place of your hearing. If you have questions concerning filing a Demand for Hearing or the hearing process, please telephone the Hearings Unit, Office of the Insurance Commissioner, at 360/725-7002.

Your Demand for Hearing must be made within 90 days after the date of this Order, which is the date of mailing, or your Demand will be invalid and this Order will stand. If your Demand for Hearing is received before the effective date of this Order, the penalties contained in the Order will be stayed (postponed) until after your hearing.

It is important to know that if you demand a hearing, you will have two options for how it will be handled:

Option 1: Unless you specifically request Option 2, your hearing will be presided over by an administrative law judge from the Office of the Insurance Commissioner. Under this option, upon receipt of your Demand for Hearing, the Insurance Commissioner may refer the case to an administrative law judge. The administrative law judge is an individual who has not had any involvement with this case. The administrative law judge will hear and make the final decision in the case without any communication, input or review by the Insurance Commissioner or staff or any other individual who has knowledge of the case. This administrative law judge's final decision may uphold or reverse the Commissioner's action or may instead impose any penalties which are less than those contained in the Order.

Option 2: If you elect, your hearing will be presided over by an administrative law judge from the Office of Administrative Hearings. That administrative law judge will issue an initial or recommended decision which will then be sent to the Insurance Commissioner. The Insurance Commissioner, or his designee, will review the initial decision and make the final decision. The Insurance Commissioner's final decision in the case may uphold, reverse or modify the initial decision, thereby changing the penalty which is recommended in the initial decision. In writing the final decision, the Insurance Commissioner is not bound by the findings of facts or conclusions of law which were made in the initial decision.